

STATUTORY INSTRUMENTS SUPPLEMENT

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S T A T U T O R Y I N S T R U M E N T S

2024 No. 7

**THE CAPITAL MARKETS AUTHORITY
(CONDUCT OF BUSINESS) REGULATIONS, 2025**

ARRANGEMENT OF REGULATIONS

Regulations

PART I—PRELIMINARY

1. Title
2. Interpretation
3. Principles applicable to approved person

PART II— CONDUCT OF BUSINESS

4. Independence
5. Material interest
6. Issue of advertisements by approved persons
7. Fair and clear communication
8. Suitability of services for client
9. Customer to understand risk
10. Information about approved persons
11. Representative of approved persons
12. Customer or client agreements

13. Rights of customer
14. Cold calling
15. Confirmation and periodic information
16. Issue of contract notes
17. Recommendations by approved persons
18. Dealings of principal
19. Dealings by employees of approved persons
20. Charges
21. Timely execution
22. Timely and fair allocation
23. Stock broker to give priority to client's orders
24. Register of interests in securities
25. Front running
26. Churning
27. Insider dealing
28. Safeguarding customer's investment
29. Risk management
30. Complaints
31. Compliance
32. Prevention of money laundering
33. Supervision
34. Customer confidentiality
35. Restriction on directorship
36. Conflict of interest
37. Disclosure of notifiable interest
38. Furnishing of information to Authority
39. Preservation of finance and other records by approved persons and issuers
40. Auditors of approved persons
41. Persons excluded from being auditors
42. Clearance and notification of events
43. Conduct of business for commodities exchange

44. Conduct of business for fund manager
45. Conduct of business of custodian
46. Conduct of business for stock broker
47. Conduct of business for credit rating agency
48. Conduct of business of transaction advisor
49. General conduct of business
50. Criteria to determine fitness and properness

PART III—MISCELLANEOUS

51. Offences
52. Wash trading, market rigging and false trading transactions
53. Dissemination of information about false trading
54. Bucketing
55. Fraudulently inducing trading
56. General penalty
57. Revocation of S.I 84-5 and S.I 84-6

SCHEDULES

- Schedule 1*— GUIDANCE NOTES ON THE STATEMENT OF PRINCIPLES
- Schedule 2*— FORM OF REGISTERS
- Schedule 3*— RECORD KEEPING REQUIREMENTS AND REPORTING REQUIREMENTS
- Schedule 4*— NOTIFICATION AND CLEARANCE EVENTS
- Schedule 5*— CONDUCT OF BUSINESS REQUIREMENTS FOR COMMODITIES EXCHANGES
- Schedule 6*— CONDUCT OF BUSINESS REQUIREMENTS FOR FUND MANAGERS
- Schedule 7*— CONDUCT OF BUSINESS REQUIREMENTS FOR CUSTODIANS
- Schedule 8*— CONDUCT OF BUSINESS REQUIREMENTS FOR STOCK BROKERS
- Schedule 9*— CONDUCT OF BUSINESS REQUIREMENTS FOR CREDIT RATING AGENCIES
- Schedule 10*— CONDUCT OF BUSINESS FOR TRANSACTION ADVISOR

STATUTORY INSTRUMENTS

2024 No. 7

The Capital Markets Authority (Conduct of Business) Regulations, 2025

(Under sections 22 and 149 (1)(k) of the Capital Markets Authority Act, Cap. 64)

IN EXERCISE of the powers conferred on the Capital Markets Authority by sections 22 and 101 (k) of the Capital Markets Authority Act, Cap. 64, these Regulations are made this 2nd day of December, 2024.

PART I—PRELIMINARY

1. Title

These Regulations may be cited as the Capital Markets Authority (Conduct of Business) Regulations, 2025.

2. Interpretation

In these Regulations, unless the context otherwise requires—

“Act” means the Capital Markets Authority Act, Cap. 64;

“approved person” means a regulated person and includes a person authorised by the Authority to carry out any activity under the Act or any other Act for whose administration the Authority is wholly or partly responsible;

“Authority” means the Capital Markets Authority established under section 4 of the Act;

“churning” means engaging in excessive buying and selling of securities in a customer’s account by a broker for the purpose of generating commission from the account;

“client” includes an investor;

“cold calling” includes visiting a prospective client, without a prior appointment, making unsolicited phone calls or sending text messages, emails to prospective clients who do not know the caller or sender for purposes of selling products or services of an approved person;

“contract note” means the note sent by the stock broker, commodities broker or agent to his or her principal or purchaser of the sale or purchase of any securities or commodities;

“Currency point” has the value assigned to it in Schedule 1 to these Regulations;

“customer” means a person for whom an approved person acts as an agent and to whom the approved person owes a duty of care, and includes a potential customer and or a client;

“front running” means the illegal practice of purchasing a security based on advance non-public information regarding but not limited to an expected large transaction that will affect the price of a security, but does not include index front running;

“material interest” means other business interests that may affect the judgment of an approved person with respect to a particular transaction with a customer;

“notifiable interest” means fifteen percent or more of the voting shares in an entity;

“price sensitive information” means information that has a material effect on the price or value of a security;

“own account transaction” means a transaction effected or arranged by the approved person in the course of carrying on his or her securities business and which was done on his or her own account;

“records” means all records compiled or stored in written, printed or electronic form;

“regulatory system” means the arrangements for regulating an approved person under the Act and Regulations made under the Act or directions given by the Authority;

“Relevant share capital” means the company’s issued share capital of a class carrying rights to vote in all circumstances at general meetings of the company.

3. Principles applicable to approved person

An approved person shall at all times—

- (a) conduct its business with a high standard of integrity and fair dealing, in accordance with principle A, specified in Schedule 1 of these Regulations;
- (b) act with due skill, care and diligence in the best interest of their clients and integrity of the market in accordance with principle B, specified in Schedule 1 of these Regulations;
- (c) adapt and observe an appropriate internal code of conduct and high standards of market conduct in accordance with principle C, specified in Schedule 1 of these Regulations;
- (d) pay due regard to the information needs of its customers and communicate information to the customers in a way that is clear, fair and not misleading;
- (e) treat the particulars and information of customers with confidentiality;

- (f) declare and manage appropriately, any conflict of interest;
- (g) ensure adequate protection for the assets of the customers;
- (h) ensure that it maintains adequate financial resources as prescribed by the Authority;
- (i) organise and control its internal affairs responsibly and effectively with adequate risk management and disaster recovery systems;
- (j) deal with the Authority in an open and cooperative manner as specified in principle D of Schedule 1 of these Regulations;
- (k) employ fit and proper persons and have directors that are fit and proper in accordance with these Regulations; and
- (l) take reasonable steps to provide to its clients in a comprehensive way, any information required to enable the clients to make balanced and informed investment decisions.

PART II—CONDUCT OF BUSINESS

4. Independence

Where an approved person is advising or acting for a customer—

- (a) the person shall not claim to be independent or impartial if he or she is not; and
- (b) the person shall ensure that any claim he or she makes as to its independence or impartiality adequately includes any limitation that there may be on either.

5. Material interest

(1) An approved person shall take reasonable steps to ensure that neither the person nor any of his or her employees or agents either offers or gives or solicits or accepts, any inducement that is likely to impair the person's objectivity in the execution of any duties owed to customers.

(2) Where an approved person has a material interest in a transaction to be entered into with or for a customer, or a relationship which gives rise to a conflict of interest in relation to that transaction, the approved person shall not knowingly advise, or deal in the exercise of a discretion, in relation to that transaction unless the person has—

- (a) fairly disclosed that material interest or relationship, as the case may be, to the customer; and
- (b) taken reasonable steps to ensure that neither the material interest nor relationship adversely affects the interests of the customer.

(3) Where an approved person trades in securities of an affiliated listed company, the approved person shall at the end of each month notify, the Authority in writing.

6. Issue of advertisements by approved persons

(1) Where an approved person issues an advertisement concerning its securities business, it shall take all reasonable steps to ensure that—

- (a) the contents and presentation of the advertisement are demonstrably fair and not misleading; and
- (b) the advertisement fairly discloses the risks concerned.

(2) The advert shall identify the approved person as the advertiser.

(3) The advert shall at the end it contain an acknowledgement that the advertiser is regulated by the Authority.

7. Fair and clear communication

(1) An approved person may together with another person issue communication, which is designed to promote securities only if they can show that they believe, on reasonable grounds, that the communication is accurate, fair, comprehensive and not misleading.

(2) An approved person shall take reasonable steps to ensure that any agreement, written communication, notification or information that they give or send to customers to whom they provide securities services, is accurate and presented fairly and clearly.

8. Suitability of services for client

(1) An approved person, prior to providing any service to a client shall at all times ensure that he or she is in possession of—

- (a) a copy of the client's identification documentation;
- (b) details of the client's source of funds; and
- (c) information on any trading restrictions applicable to the client.

(2) An approved person shall ensure that it does not give advice or effect a transaction on behalf of a client, unless the advice or transaction is suitable for the client considering the facts disclosed by the client, the client's circumstances and needs.

(3) The approved person shall obtain from the client such information as is necessary for it to comply with sub-regulation (2).

9. Customer to understand risk

(1) An approved person shall not—

- (a) recommend a transaction to a customer or effect a discretionary transaction with or for the customer, unless the approved person has taken all reasonable steps to enable the customer to understand the risks involved;

- (b) mislead a customer as to any advantages or disadvantages of a contemplated transaction; or
- (c) promise a return unless such the return is contractually guaranteed.

(2) An approved person shall give sufficient information to the customer to ensure that the customer's decisions are informed.

(3) An approved person shall, when making recommendations to a client, take all reasonable steps to satisfy himself or herself that the client has a full understanding of the—

- (a) nature of the investment;
- (b) fees and charges associated with the investment;
- (c) risks of the investment;
- (d) factors that are likely to affect the performance of the investment;
- (e) terms and conditions of the investment; and
- (f) consequences of departing from the terms and conditions of the investment.

10. Information about approved persons

An approved person shall take reasonable steps to ensure that a customer is given adequate information about the identity and business address of the approved person and the identity and status of employees and other relevant representatives within the approved person's firm, with whom the customer has contact.

11. Representative of approved persons

(1) An approved person shall satisfy himself on reasonable grounds and on a continuing basis, that any representative appointed is fit and proper to act for it in that capacity.

(2) A representative of an approved person shall act in accordance with the Act, the regulations and any code of conduct to which he or she is contractually bound.

(3) The approved person shall also satisfy himself on reasonable grounds and on a continuing basis that he has adequate resources to monitor and enforce compliance by its representatives with high standards of business conduct.

12. Customer or client agreements

(1) An approved person shall not provide to a customer or client any services relating to—

- (a) the discretionary management of a portfolio;
- (b) fund investment; or
- (c) any other type of business that is prescribed by the Authority, except under a written agreement or management agreement or investment agreement signed by the customer and returned to the approved person.

(2) The Authority may from time to time, prescribe special procedures relating to the operation of discretionary accounts and every approved person shall follow the special procedures or ensure that the special procedures are followed.

(3) Where an approved person provides services to a customer on written contractual terms, the agreement shall set out in adequate detail, the basis on which the services are provided including—

- (a) essential information about the parties, including the names, addresses and contact information;
- (b) services to be provided;
- (c) fees to be charged or the way the fees will be calculated;

- (d) nature or basis of commissions to be received by the approved person from third parties in relation to the services provided to the client;
- (e) rights and obligations of the client, including—
 - (i) the right to receive the title for any securities purchased; the right to receive a statement of all fees and charges;
 - (ii) the right to information on the remuneration received by the approved person from third parties for the services provided, in relation to the customer;
 - (iii) the right to information on the remuneration paid by the approved person to a third party;
 - (iv) the right to ask for information on the experience, qualifications and disciplinary history of the approved person;
 - (v) the right to receive interest on funds held by the approved person on the customer's behalf;
 - (vi) the right to receive payment for securities sold within a specified period;
 - (vii) the right to see the approved person's conflict of interest policy;
 - (viii) the right to complain and to have that complaint handled fairly and promptly;
 - (ix) the obligation to pay fees and other charges;
- (f) rights and obligations of the approved person;
- (g) arrangements made for securing titles to and for custody of securities bought, including where nominee or custodian accounts are to be used;

- (h) any conflict of interest relating to the approved person;
- (i) any connection the approved person has with third parties that could affect the services being provided, including a requirement that the approved person deals through certain third parties or recommends certain investment products;
- (j) the fact that the approved person is regulated by the Authority; and
- (k) any other terms and conditions of the agreement, including the notice to be given in respect of any changes to it or its termination.

(4) Each party shall retain one original duly signed copy of the agreement referred to in sub-regulation (1).

13. Rights of customer

(1) An approved person shall not, in any written communication, action, conduct or agreement, seek to exclude or restrict—

- (a) any duty or liability to a customer which it has under the Act or any regulation made under the Act;
- (b) any other duty to act with skill, care and diligence that is owed to a customer in connection with the provision of service to him or her;
- (c) any liability owed to a customer for failure to exercise the degree of skill, care and diligence that may reasonably be expected of it in the provision of securities services.

(2) An exclusion or restriction prohibited by this regulation that is included in any written communication, action, conduct or agreement shall be void.

14. Cold calling

(1) An approved person shall establish and observe internal operational procedures on cold calling, which shall be approved by the Authority.

(2) An approved person shall not, for the purposes of soliciting business relating to a regulated activity, make unsolicited telephone calls or attend at any property in a manner that is contrary to its procedures on cold calling established under sub-regulation (1).

15. Confirmation and periodic information

(1) Where an approved person effects a sale or purchase of securities with or for a customer, that person shall ensure that the customer is sent with due dispatch, a contract note containing the details of the transaction.

(2) Where an approved person acts as a fund manager for a client, that person shall ensure that the client is sent a report every quarter, stating the value of the portfolio or account at the beginning and end of the period, its composition at the end of the period and, in the case of a discretionary portfolio or account, changes in its composition between those dates.

16. Issue of contract notes

(1) A stock broker, dealer or commodities broker shall, in respect of every transaction of sale or purchase of securities or commodities, give a contract note that complies with the following—

- (a) the name of the person for whom the stock broker or commodities broker entered into the transaction and whether the transaction took place in the ordinary course of business at an exchange;
- (b) the name or style under which the stock broker, dealer or commodities broker carries on his business as a stock broker or commodities broker and the address of the principal place at which he carries on business;

- (c) where the stock broker ,dealer or commodities broker is acting as such or such or as a principal, statement that it is so acting as such or as a principal
- (d) the name, address and identity of the person to whom the stock broker or commodities broker gives the contract note;
- (e) the day and time on which the transaction took place and, if the transaction did not take place in the ordinary course of business at an exchange, a statement to that effect;
- (f) the number, or amount and description, of the securities or commodities that are the subject of the contract;
- (g) the price of each security or commodity
- (h) the amount of the consideration;
- (i) the rate and amount of commission charged if any;
- (j) the amount of stamp duties or other duties and taxes payable in connection with the contract;
- (k) Where an amount is to be added to or deducted from the settlement amount in respect of the right to a benefit purchased or sold together with the securities, the amount and the nature of the benefit; and
- (l) any other relevant information as may be requested to be included by the Authority including information necessary to ensure a complete audit trail in respect of the execution of client instructions and the settlement of market transactions.

(2) A stock broker, dealer or commodities broker shall not include any false information in a contract note given under subregulation (1).

(3) A stock broker, dealer or commodities broker who acts in contravention of this regulation is liable to pay to the Authority, a fine not exceeding one hundred currency points.

17. Recommendations by approved persons

(1) An approved person who, without reasonable basis, makes a recommendation with respect to securities or a class of securities to a person who may reasonably be expected to rely on the recommendation, commits an offence and is liable, on conviction, to a fine not exceeding two hundred currency points.

(2) For the purpose of sub regulation (1), an approved person does not have a reasonable basis for making a recommendation to a person unless—

(a) the approved person has, for the purposes of ascertaining that the recommendation is appropriate, had regard to the information possessed by it concerning the investment objectives, financial situation and particular needs of the person, given such consideration to, and conducted such investigation of, the subject matter of the recommendation as is reasonable in all the circumstances; and

(b) the recommendation is based on that consideration and investigation.

(3) Where—

(a) an approved person contravenes subregulation (1);

(b) the person relying on the recommendation does any particular act, or refrains from doing any particular act;

(c) it is reasonable, having regard to the recommendation and all other relevant circumstances, for the person to have done that act or to refrain from doing that act, relying on the recommendation; and

- (d) the person suffers loss or damage as a result of doing that act or refraining from doing that act, the approved person is liable to pay a fine not exceeding two hundred currency points.

18. Dealings of principal

(1) A stock broker, or commodities broker shall not, as principal, deal in any securities unless it has been licensed as a dealer by the Authority.

(2) A person who contravenes this regulation commits an offence and is liable, on conviction, to a fine not exceeding two hundred currency points.

19. Dealings by employees of approved persons

(1) An approved person shall not give unsecured credit to its employee or to a person whom it knows is associated with its employee where—

- (a) the unsecured credit is given for the purpose of enabling or assisting the employee, to purchase or subscribe for any securities; or
- (b) the approved person knows or has reason to believe that the unsecured credit will be used to purchase or subscribe for securities.

(2) This restriction shall not apply to arrangements under employee share option plans and or employee share incentive programmes by Companies undertaking public offers approved by the Authority under the Act.

(3) A person who contravenes subregulation (1) commits an offence and is liable to pay a fine not exceeding two hundred currency points or to such other disciplinary action as the Authority may impose.

20. Charges

(1) An approved person that is a member or trading participant of an approved securities exchange or commodities exchange shall charge fees according to the rate prescribed by the approved securities or commodities exchange.

(2) All other approved persons shall charge fees in accordance with the agreement with the client or customer.

(3) An approved person shall, before providing the service of a regulated activity to a client, disclose to the client the basis for its charges for the provision of the services and the nature and amount of any other remuneration payable by the client.

(4) An approved person shall upon request by its client, provide statements to its client for each transaction undertaken and the statements shall show the nature and value of the transaction the fees charged and any other information agreed upon with the client, provided that the statements by venture capital funds shall be sent at least annually and statements by all other approved persons shall be sent at least quarterly.

(5) An approved person's charges shall not be unfair in their incidence or unreasonable in their amount having regard to all relevant circumstances.

(6) An approved person shall not take any fees or charges from any client's funds or liquidate a customer's securities for the purpose of recovering its fees or charges unless it is in accordance with the client agreement or in the manner prescribed by the Authority.

21. Timely execution

(1) Where an approved person has agreed or decided in his or her discretion to effect or arrange a customer order, it shall effect or arrange the execution of the order as soon as is reasonably practicable in the circumstances or as specified by the client.

- (2) An approved person shall execute a client's order—
 - (a) only if the customer has made final and irrevocable arrangements for the necessary funds or securities; and
 - (b) unless extenuating circumstances or conditions peculiar to a particular order exist, in the chronological sequence in which the orders were received and give priority to outstanding orders.

(3) An approved person shall deal for a client on the best terms available for the client.

22. Timely and fair allocation

(1) An approved person shall ensure that the transactions it executes are allocated to the customers who gave the orders in a timely and equitable manner.

(2) Where an approved person has aggregated an order for a customer transaction with an order for an own account transaction, or with an order for another customer transaction, then, in the subsequent allocation—

- (a) it shall not give unfair preference to itself or to any of those for whom it dealt; and
- (b) it shall give priority to satisfying orders for customer transactions if all orders cannot be satisfied.

23. Stock broker to give priority to clients' orders

(1) A stock broker or dealer shall not, except as permitted by subregulation (3), enter into, as principal or on behalf of a person associated with it, a transaction of purchase or sale of securities that are permitted to be traded on a securities exchange if a client of the stockbroker or dealer, who is not associated with the stockbroker or dealer, has instructed the stock broker or dealer to purchase or sell, respectively, securities of the same class and the stockbroker or dealer has not complied with the instruction.

(2) A stock broker or dealer who contravenes this regulation is liable to pay to the Authority, a fine not exceeding two hundred currency points.

(3) Subregulation (1) does not apply in relation to the entering into a transaction by a dealer as principal or on behalf of a person associated with it where—

- (a) the instructions from the client of the stockbroker dealer require the purchase or sale of securities on behalf of the client to be effected only on specified conditions at which the securities were to be purchased or sold and the dealer has been unable to purchase or sell the securities by reason of those conditions; or
- (b) the transaction is entered into in prescribed circumstances.

24. Register of interests in securities

(1) Every approved person and financial journalist shall maintain a register of securities in which it has an interest in the form prescribed in Schedule 2 of these Regulations.

(2) The particulars of the securities in which an approved person has an interest shall be entered in the register within seven days after acquisition or disposal of the interest.

(3) Where there is a change in the interest or interests in securities of an approved person, it shall enter in the register, within 7 days after the date of the change, the full particulars of the change, including the date of the change and the circumstances by reason of which that change has occurred.

(4) Where the Authority or a person authorised by the Authority request to inspect the register required under subregulation (1), the approved person or financial journalist shall produce the register for inspection within fourteen days after the request and the Authority or the person authorised by the Authority may make extracts from the register.

25. Front running

Where an approved person intends to publish to customers a price sensitive recommendation or research or analysis, the approved person shall not knowingly effect on its own account, a transaction in the investment concerned or in any related investment until the customers for whom the publication was principally intended have had, or are likely to have had, a reasonable opportunity to react to it.

26. Churning

An approved person shall not, for the purpose of generating commission from a customer's account—

- (a) deal or arrange a deal in the exercise of its discretion for any customer; or
- (b) advise a customer to deal, if the dealing could, in the circumstances reasonably be regarded as excessive in size or frequency in view of the financial resources and character of the account.

27. Insider dealing

An approved person shall not profit or seek to profit, either for its own account, the account of a client or any third party, from inside information on publicly listed securities in the possession of any of its directors, officers, employees, agents, or any insider or assist anyone with such information to make profit for itself or for another person.

28. Safeguarding customer's investment

An approved person who has custody of a customer's securities shall—

- (a) where the securities are not listed on an approved exchange, keep safe, or arrange for the safekeeping of any documents of title, or documents evidencing title, relating to them; and
- (b) ensure that any securities that the approved person buys or holds for a customer are properly registered in the name of

the customer or, with the consent of the customer, in the name of an appropriate nominee.

29. Risk management

An approved person shall have a sound risk-management framework for purposes of comprehensively managing risks.

30. Complaints

(1) An approved person shall put in place internal procedures to ensure the proper handling of complaints from customers and to ensure that remedial action on the complaints is promptly taken.

(2) An approved person shall adopt, document and disclose to a customer its procedures for complaint handling and escalation.

(3) An approved person shall handle complaints in a fair, appropriate and timely manner, and shall inform the client of the outcome and the right to appeal to the Authority where dissatisfied with the outcome.

(4) Where a complaint is justified, an approved person shall within a reasonable time provide appropriate restitution, address the factors that led to the complaint and document action taken and the reasons for the decision reached.

(5) An approved person shall within 30 days from the date of receipt of a complaint, inform the Authority of any unresolved complaint, the steps taken to address the complaint and whether the intervention of the Authority is necessary to resolve the complaint.

31. Compliance

(1) An approved person shall take reasonable steps, including the establishment and maintenance of procedures, to ensure that—

- (a) the approved person has a Compliance Officer who is fit and proper with the relevant technical competencies to

implement relevant compliance requirements under these regulations and the policies;

- (b) the approved person has comprehensive written policies on operations, compliance, business continuity planning, including disaster recovery procedures which should be reviewed periodically;
- (c) the approved persons' officers, employees and other representatives are aware of their obligations under the Act and any regulations or other legislation administered by the Authority, and that they act in conformity with them; and
- (d) sufficient information is recorded and retained about its securities business and compliance with the regulatory system.

(2) Every approved person shall keep, in Uganda, adequate and orderly records of its business affairs, the financial position, the internal organisation, the compliance with statutory and regulatory requirements and the risk management systems.

(3) The approved person shall keep adequate and orderly records of the business transactions undertaken for their customers, the business affairs of the customers, where relevant to the business undertaken for its customers and the relationship with its customers.

(4) The records shall be arranged, filed, indexed and cross referenced to permit prompt access to any particular record.

(5) In relation to transactions, the records shall be such as to allow all aspects of a securities transaction, with which an approved person has been involved, to be traced through from the initial order to the final settlement of the deal.

32. Prevention of money laundering

An approved person shall comply with the requirements under the Anti-Money Laundering Act, Cap 118 Laws of Uganda and shall maintain policies and procedures to guard against money laundering and terrorist financing.

33. Supervision

Where an approved person employs staff or is responsible for the conduct of securities business by others, it should have adequate arrangements to ensure proper supervision and that-

- (a) the staff are competent, appropriately qualified, adequately trained to perform their functions and the staff shall maintain a high level of knowledge and skills;
- (b) each staff does not give advice or provide services of such a nature as is beyond his or her competence to give or to provide;
- (c) the staff are fit and proper persons, who are able to exercise care and diligence in handling business matters; and
- (d) the staff are persons that understand and comply with the laws governing the market.

34. Customer confidentiality

(1) An approved person shall comply with the Data Protection and Privacy Act and shall ensure that all information in the possession of an approved person relating to a customer or prospective customer, shall be kept confidential by the approved person.

(2) An approved person shall adopt and document policies and procedures to ensure that information obtained from clients and third parties is kept confidential and secure and the policies and procedures shall include—

- (a) a requirement that employees undertake to maintain confidentiality in their contract of employment;
- (b) the criteria for determining the employees who may have access to confidential information;
- (c) procedures that effectively restrict access to confidential information by employees through the use of secure document management, storage systems and encryption protected information, within the approved person's information technology system; and
- (d) systems to safeguard the integrity of any electronic record or transaction recording system.

(3) An approved person shall keep confidential all information in its possession relating to a client whether obtained from the client or third parties.

(4) An approved person may disclose information relating to a customer in the following circumstances-

- (a) where consent to disclose the information has been given by the person to whom it relates or the person from whom it was received;
- (b) where required to do so by the Authority, a securities central depository or a securities exchange or commodities exchange of which the approved person is a member; or
- (c) where the approved person is ordered to do so by a court or other due process of law.

35. Restriction on directorship

(1) A member of the governing body of an approved person shall not serve as a member of the governing body of another approved person except with the approval of the Authority.

- (2) Notwithstanding the restriction in sub-regulation (1)—
- (a) a member of the governing body of an approved person may serve in representative capacity as a member of a securities or commodities exchange;
 - (b) a member of a governing body of an approved person may serve on the governing body of a wholly or substantially owned subsidiary where the subsidiary is an approved person;
 - (c) a fund manager of a private equity or venture capital fund may be a member of the governing body of a registered private equity or registered venture capital fund; or
 - (d) a member of a governing body of a listed company may serve on the governing body of another listed company in line with the Capital Markets Authority (Corporate Governance) Regulations.

36. Conflict of interest

(1) An approved person shall establish an adequate policy and procedures for disclosure and management of conflict of interest.

(2) The approved person shall take all reasonable steps to ensure that any conflict of interest between itself and its clients and between clients where dealing in securities is concerned is managed in such a way that the interests of the clients are not adversely affected.

(3) Where an approved person maintains an established arrangement where disclosure of information obtained by one part of its business to persons with whom it deals in another part of its business, may lead to a conflict of interest, each of the said business units shall withhold that information from the other.

(4) An approved person shall not take advantage of information it obtains from providing services to a client for its own benefit or the

benefit of its employees or the benefit of another client, and where such an eventuality is likely to occur, the approved person shall—

- (a) adopt and document procedures, including the creation of information barriers such as information technology systems barriers and physical barriers to minimise the possibility of information from one client being used for the benefit of another client, its employees or the approved person;
- (b) sensitise employees in matters relating to the conflict of interest and the procedures developed to avoid them;
- (c) obtain undertakings from employees that they will not use information gained from the clients for their personal benefit.

(5) An approved person shall take reasonable steps to ensure that neither it nor any of its employees or agents offers, gives, solicits or accepts any inducement that is likely to impair their objectivity in the course of executing the duties owed to clients.

37. Disclosure of notifiable interest

- (1) Where any person—
 - (a) directly or through his or her associates acquires a notifiable interest in the shares of an approved person, listed company or relevant entity, or ceases to be interested in the shares; or
 - (b) becomes aware that he or she is the beneficiary of a notifiable interest in the relevant shares of any approved person, listed company or relevant entity or that he or she has ceased to be interested in the shares in which he or she was previously interested; the person shall notify the approved person, listed company or relevant entity of the interest which he or she has, or had in its shares.

(2) An approved person shall submit to the Authority and every listed company shall submit to the exchange on which it is listed; a report every six months giving particulars of—

- (a) all persons from which the approved person, listed company or relevant entity has received a notification under sub-regulation (1);
 - (b) all directors holding three percent or more of the issued share capital; and
 - (c) cumulative holding of the issued share capital of the approved person or listed company by directors.
- (3) A person is taken to have an interest in shares—
- (a) if he or she makes a buy or sale recommendation publicly in respect of those shares;
 - (b) if he or she is an employee of the approved person, listed company or where such listed company or approved person has an employee share option plan or similar scheme;
 - (c) if he or she is a director or chairperson of the board of an approved person, listed company or entity in which his or her spouse, any child of his or hers is interested; or if a body corporate is interested in them and—
 - (i) the body corporate or its directors are accustomed to act in accordance with his or her directions or instructions; or
 - (ii) the person is entitled to exercise or control the exercise of fifteen percent or more of the voting power at general meetings of the body corporate; or
 - (iii) the person is a director or a shareholder of the body corporate.

(4) The existence of the obligation to disclose an interest in a particular case depends—

- (a) on circumstances obtaining before and after whichever is in that case the relevant time; and
- (b) in a case within subregulation (1) (b), the time at which the person became aware of the facts in question.

38. Furnishing of information to Authority

(1) An approved person shall, in accordance with section 11 of the Act and Schedule 3 of these Regulations, provide specified information in the form and content as required by the Authority.

(2) The Authority, may request an approved person to provide information on orders, purchases, sales or trading and settlement of securities including documentation relating to such transactions and disclosure of beneficial ownership of securities.

(3) The information requested by the Authority in sub-regulation (1) may be used by the Authority for regulatory purposes including enforcement and compliance and shared with other local and foreign regulatory agencies for the sole purpose of ensuring compliance, enforcement and any other matters pursuant to a bilateral or multilateral memorandum of understanding in accordance with section 20A of the Act.

(4) The information sought from any person under sub-regulation (1) shall be submitted to the Authority in a written form within the time specified by the Authority and such information shall be accompanied by statements made under oath.

(5) Where information has been submitted to the Authority under sub-regulation (2), the Authority may seek to verify the information and the person in possession of the information and documentation shall avail it without obstruction to the authorised personnel of the Authority.

39. Preservation of finance and other records by approved persons and issuers

(1) An approved person and issuer, shall preserve all their financial and other records including minutes and registers of securities; whether the records are maintained in an electronic form or hard copy; relating to transactions conducted by the approved person or issuer, for a period of ten years.

(2) A person shall not at any time within the prescribed period interfere, deface or destroy the records referred to in sub-regulation (1), in any manner that will lead to the alteration of any facts or content therein including the date, amount and names of all persons party to the transactions whether such person is a licensee of the Authority, an issuer of securities to the public or a section thereof, an auditor of the licensee or issuer or any professional who is or will be involved directly or indirectly in the transactions.

(3) Where the record keeping requirements of an approved person are not specifically provided for under Schedule 3 of these Regulations, the approved person shall keep all records necessary to comply with the directives of the Authority provided for in section 9 of the Act.

40. Auditors of approved persons

(1) An approved person shall make available to its auditor the information and explanations necessary for the discharge of his or her responsibilities as an auditor in accordance with the requirements of the Authority.

(2) The auditor shall satisfy himself or herself that the accounts of the approved person have been properly prepared in accordance with the books and records of the approved person and that—

- (a) he or she has obtained adequate information from the records of the approved person;

- (b) the approved person's financial statements are in accordance with the provisions of the Act; and
 - (c) the financial statements of the approved persons give a true and fair representation of the approved person's financial position and profit or loss.
- (3) The auditor shall—
- (a) be an accounting firm or practising accountant licensed by the Institute of Certified Public Accountants of Uganda;
 - (b) audit the accounts of the approved person in an independent and impartial manner; and
 - (c) ensure that an audit is conducted in accordance with international standards on auditing as adopted by the Institute of Certified Public Accountants of Uganda.

(4) Where the auditor of an approved person resigns or is removed, the approved person shall, within a reasonable time, notify the Authority of the resignation or removal of the auditor and state the reasons for the resignation or removal.

41. Persons excluded from being auditors

(1) An approved person shall not appoint an individual or firm as an auditor, where the individual or firm directly responsible for the audit is—

- (a) a director, partner, shareholder, officer, representative or employee of the approved person;
- (b) a partner of or in the employment of, any person in paragraph(a);
- (c) a spouse, parent, step-parent, child, or other dependant relative of any person in paragraph (a);
- (d) a person or firm who is not otherwise independent of the approved person; or

- (e) a person or firm disqualified by the Institute of Certified Public Accountants of Uganda from acting as an auditor.

(2) Where conflict of interest arises after the appointment of the auditor, the approved person shall notify the Authority of the conflict of interest and the measures in place for its management.

42. Clearance and notification of events

An approved person shall make a written notification to the Authority of any event or circumstance designated as a notifiable or clearance event under Schedule 4 of these Regulations.

43. Conduct of business for commodities exchange

Commodities exchanges shall comply with the conduct of business requirements for commodities exchanges set out in Schedule 5 of these Regulations.

44. Conduct of business for fund manager

Fund managers shall comply with the conduct of business requirements for a fund manager set out in Schedule 6 of these Regulations.

45. Conduct of business of custodian

A custodian shall comply with the conduct requirements set out in Schedule 7 of these Regulations.

46. Conduct of business for stock broker

A stock broker shall comply with the conduct of business requirements set out in Schedule 8 of these Regulations.

47. Conduct of business for credit rating agency

A credit rating agency shall comply with the conduct of business requirements set out in Schedule 9 of these Regulations.

48. Conduct of business of transaction advisor

A transaction advisor shall comply with the conduct of business requirement set out in Schedule 10 of these Regulations.

49. General conduct of business

(1) Where the conduct of business for an approved person is not specifically provided for under these Regulations, the approved person shall comply with all the conduct of business requirements for other approved persons, unless the approved person obtains a waiver from the Authority to comply with the requirements.

(2) The criteria for considering and approving any waiver requested under these regulations shall be solely determined by the Authority which may issue guidelines for this purpose.

50. Criteria to determine fitness and properness

(1) A person who is not a fit and proper person in accordance with the fit and proper criteria specified in Schedule 3 of the Act and prescribed by the Authority shall not become or remain an employee or director of an approved person.

(2) The Authority shall vet all persons proposed as senior employees or directors of an approved person within thirty days and notify the approved person accordingly.

(3) An approved person shall submit a certificate of good conduct to the Authority as may be required by the Authority from time to time.

(4) In determining whether a person is fit and proper to be employed by or to manage, or direct an approved person, the Authority shall have regard to the criteria for fitness and properness under the Act.

(5) In addition to the criteria under the Act, the following additional factors may constitute *prima facie* evidence that an approved person does not qualify as a fit and proper person—

- (a) a person whose conduct as a director or senior employee of an approved person contributed to the approved person's

approval or license or authorisation being revoked by the Authority or other securities regulatory or supervisory body in any other jurisdiction;

- (b) a person whose conduct as a director or senior employee of a company providing banking, insurance, financial or investment advisory services contributed to the approved person's licence, approval, authorisation or registration being revoked by relevant regulatory or supervisory body in Uganda or any other jurisdiction.

(6) Where a representative of an approved person or a director or employee of an approved person has been charged with a criminal offence of moral turpitude, the Authority may require the person to step aside from his or her position pending conclusion of investigations and a judgment from court acquitting him or her of any wrong doing.

PART III- MISCELLANEOUS

51. Offences

(1) An approved person who fails, without reasonable excuse, to comply with any of the requirements of these Regulations commits an offence and is liable, on conviction, where no penalty is specified, to a fine not exceeding two hundred currency points or imprisonment not exceeding two years or both.

(2) The Authority may impose other disciplinary action under section 39 or 44 of the Act as it may determine.

52. Wash trading, market rigging and false trading transactions

A person who does anything or causes anything to be done or engages in any course of conduct calculated to create a false or misleading appearance of active trading in any securities exchange or commodities exchange commits an offence and is liable, on conviction, to a fine not exceeding two thousand currency points or imprisonment not exceeding two years or both.

53. Dissemination of information about false trading

A person who circulates, disseminates, authorises, or is concerned in, the circulation or dissemination of, any statement or information to the effect that the price of trading in any class of securities commits an offence and is liable, on conviction, to a fine not exceeding five thousand currency points or imprisonment not exceeding three years or both.

54. Bucketing

A person who knowingly executes, or holds out as having executed, an order for the purchase or sale of a security or commodity without having effected a bona fide purchase or sale of the security or commodity contract in accordance with the rules and practices of a securities exchange or a commodities exchange commits an offence and is liable, on conviction, to a fine not exceeding two hundred currency points or imprisonment not exceeding two years or both.

55. Fraudulently inducing trading

A person who directly or indirectly, for the purposes of inducing or attempting to induce another person to trade in securities makes or publishes—

- (a) any statement which is, at the time and considering the circumstances in which it is made, false, misleading or deceptive with respect to any material fact and which he or she knows, or has reasonable grounds to believe, is false, misleading or deceptive; or
- (b) any statement which is, by reason of the omission of a material fact, rendered false, misleading or deceptive and which he or she knows, or has reasonable grounds for believing is rendered false, misleading or deceptive by reason of the omission of that fact, commits an offence and is liable, on conviction, to a fine not exceeding five thousand currency points or imprisonment not exceeding two years or both.

56. General penalty

Where the penalty for non-compliance with any requirement or provision under these Regulations is not specifically provided for, an approved person who, after being heard by the Authority is found in breach, is liable to pay a fine not exceeding two hundred currency points.

57. Revocation of S.I 84-5 and S.I 84-6

The Capital Markets (Conduct of Business) Regulations S.I 84-5 and the Capital Markets (Registers of Interests in Securities) Regulations, S.I 84-6 are revoked.

SCHEDULES

SCHEDULE 1

Regulation 3

GUIDANCE NOTES ON THE STATEMENT OF PRINCIPLES

PRINCIPLE A: APPROVED PERSON TO CONDUCT ITS BUSINESS WITH HIGH STANDARDS OF INTEGRITY AND FAIR DEALING

- (1) An approved person shall—
 - (a) conduct its business in a fair, orderly and transparent manner;
 - (b) not place its interests above those of its customers;
 - (c) be accountable for its actions and must not be influenced by customers', peers, employers, employees or any person to compromise the standards of integrity and fair dealing;
 - (d) avoid any behaviour or practice, which may be seen as compromising or deceptive;
 - (e) at all times be honest and must not in any way engage in conduct that is likely to bring the capital markets in disrepute;
 - (f) not employ unfair means such as giving of inducements either in cash or in kind to secure business from customers, current or prospective;
 - (g) not broadcast, publish or advertise or cause to be broadcast, published or advertised in any manner, any representation or any implication with intent to cause a false market;
 - (h) refrain from public expression of adverse criticism, false or misleading information relating to other approved persons or the Authority;

- (i) not knowingly deal in stolen securities or aid or abet fraudulent activities in the market;
- (j) charge to its customers and agents the prescribed commission;
- (k) not withhold information when requested by the Authority or other Government agencies.

(2) The Authority considers that an approved person will not have acted with high standards of integrity and fair dealing if, in the course of carrying out its functions or in connection with it, the approved person has misled or attempted to mislead, by act or omission a customer, the Authority or its auditors and examples of such behavior may include—

- (a) forging documents;
- (b) providing false or inaccurate documents or information;
- (c) destroying incriminating documents; and
- (d) misleading a customer about the risks of an investment, charges of investment products, likely performance of investment products by providing inappropriate projections of future investment returns.
- (e) failure to disclose conflict of interest in a transaction prior to acting in any capacity with respect to the transaction.
- (f) Failure to publish its audited financial accounts within the timelines prescribed by the Authority

PRINCIPLE B: ACT WITH DUE SKILL, CARE AND DILIGENCE

The appropriate degree of skill, care and diligence will depend on the role and responsibilities of the individual concerned. The Authority considers that an individual will not have acted with due skill, care and diligence if in the course of carrying out its business it;

- (a) does not ensure prompt settlement of customers' dues and claims;
- (b) does not segregate all money received from the customers;
- (c) uses customers' account to secure overdrafts or credit facilities;
- (d) does not provide a customer with a full and fair account of the management of the customer's assets when requested;
- (e) fails to inform the customer or its auditors of material information in circumstances where it is or was aware or ought to have been aware of such information and of the fact that he or she should provide it and examples include failing to explain—
 - (i) risks of an investment to a customer;
 - (ii) charges of investment products;
 - (iii) providing inaccurate or inadequate information to a firm, its auditors;
 - (iv) recommending or undertaking to provide advice on transactions without a reasonable understanding of the risk exposure of the transaction to the customer.
- (f) does not use its best endeavors to reasonably procure the necessary information related to a security or transaction for it to adequately to advise its client in connection with any transaction where it is acting on their behalf or advising the customer.

PRINCIPLE C: OBSERVE PROPER STANDARDS OF MARKET CONDUCT

An approved person shall—

- (a) seek from customers, information about their circumstances and investment objectives which might reasonably be expected to be relevant in enabling the approved person to fulfill an approved person's responsibilities to its customer;
- (b) take reasonable steps to give every customer it advises, in a comprehensible and timely way, any information needed to enable the customer to make a balanced and informed investment decision;
- (c) be ready to provide a customer with a full and fair account of the fulfillment of its responsibilities;
- (d) avoid any conflict of interest with its customers and, where any such conflict unavoidably arises, to ensure fair treatment to its customer by complete disclosure or by declining to act;
- (e) not unfairly place its interests above those of its customers;
- (f) Protect, by way of segregation and identification, customer assets for which an approved person is responsible.; and
- (g) avoid the deliberate misuse of the assets of a customer. Deliberate misuse of the assets of a customer includes the following—
 - (i) trading without instructions from the client;
 - (ii) trading on a customer's account in order to generate a benefit for the approved person (churning);
 - (iii) wrongly transferring cash or securities belonging to a customer to personal accounts;
 - (iv) wrongly using customers' accounts to cover trading losses;

- (v) using a customer's funds to pay for the running or expansion of the firm or using customer's fund for purposes other than those for which they were provided;
- (vi) retaining customer's funds wrongly; and
- (vii) pledging the assets of customers as security in circumstances where the firm is not permitted to do.

PRINCIPLE D: AN APPROVED PERSON SHALL DEAL WITH THE REGULATOR IN AN OPEN AND COOPERATIVE MANNER. AN APPROVED PERSON MUST BE OPEN AND CO-OPERATIVE IN THEIR DEALINGS WITH THE AUTHORITY AND OTHER RELEVANT REGULATORS (THIS MAY INCLUDE A SECURITIES EXCHANGE OR A COMMODITIES EXCHANGE)

1. An approved person shall keep the regulator promptly informed of any material information including but not limited to any significant incident, transaction, litigation, concerning the firm, which might reasonably be expected to be disclosed to it or within its knowledge
2. An approved person shall at all times comply with all relevant laws, guidelines any other reporting requirements or regulatory requirements in Schedule 3 in these Regulations or in any other relevant law, guideline or regulatory notice.
3. An approved person shall cooperate with the Authority and give the Authority all the reasonable assistance it requires to discharge its functions under the Act.
4. An approved person shall pay all fees, charges or any other sums due to the Authority within a reasonable time.

5. An approved person shall avoid any event, which could reasonably be expected to affect the Authority's assessment of its fitness and propriety or that of its management and staff.
6. An approved person shall avoid any material breach of the regulatory requirements applicable to the approved person or a material change in any information provided in support of the licence, approval, authorization or registration application, including—
 - (a) a reduction in working capital or financial resource to below one hundred and twenty per centum of the specified minimum or a reduction of fifty per centum in the working capital or financial resource since the previous report to the Authority;
 - (b) any concern of the approved person that it may not be able to meet its obligations to clients or other creditors when they fall due;
 - (c) any shortfall in the funds held in the client account below the total obligations to clients;
 - (d) any inability to comply with any instruction or direction of the Authority;
 - (e) any misstatement in any return previously submitted to the Authority;
 - (f) any fraud on the approved person or by any of its employees;
 - (g) any disciplinary action against any of its key personnel;
 - (h) any investigation, finding or conviction relating to the market intermediary or any of the key personnel of the approved person by a law enforcement agency, regulatory authority or professional association;

- (i) any civil claim against the approved person that exceeds twenty-five per centum of the minimum financial resource requirement of the market intermediary; and
 - (j) any action against it that may lead to its insolvency.
- 7. An approved person shall within 14 days from the decision by the Board and or shareholders notify the Authority and apply for clearance from the Authority before it—
 - (a) changes its name, business name, if different and nature of business of the market intermediary;
 - (b) appoints a new Chief Executive, Director or Compliance Officer;
 - (c) appoints a new auditor, unless the Auditor appointed is on the list of approved auditors published by the Authority to audit entities approved by the Authority;
 - (d) decides to seek a licence from another regulatory authority in Uganda or abroad;
 - (e) changes its financial year and its annual reporting date;
 - (f) changes its capital structure;
 - (g) changes its ownership or substantial shareholding;
 - (h) makes a substantial acquisition; or
 - (i) ceases business.
- 8. An approved person shall keep records of all returns sent to and correspondence with the Authority.
- 9. The Authority considers that the approved person will not have dealt in an open and co-operative manner if he has—

- (a) failed to inform the Authority in a timely manner of matters relating to the conduct of an approved person which it would be reasonable to assume would be of material significance to the Authority;
- (b) without good reason, failed to inform a relevant regulator of information of which it was aware in response to questions from that regulator;
- (c) without good reason, failed to attend an interview or answer questions put by a relevant regulator despite a request or demand having been made;
- (d) without good reason, failed to supply a relevant regulator with accurate documents or information when requested or required to do so within the time limits attaching to such a request.

SCHEDULE 2

FORM OF REGISTERS

FORM A

REGISTER OF SECURITIES FOR APPROVED PERSONS

I PURCHASE REGISTER

Date	Name of Seller/ Client	Type and Description of security	Amount paid

II SALES REGISTER

Date	Name of Buyer/ Client	Type and Description of Security	Amount paid

FORM B

REGISTER OF INTERESTS IN SECURITIES FOR FINANCIAL JOURNALISTS

Date of publication	Name of Journal or News paper	Title of Analytical report	Volume No. of Publication

SCHEDULE 3

PART I

Regulations 38(1) and 39(3)

RECORD KEEPING REQUIREMENTS AND REPORTING REQUIREMENTS

A. SECURITIES EXCHANGE OR COMMODITIES EXCHANGE

The securities exchange or commodities exchange shall maintain and preserve the following records and documents, for a period of at least ten years—

- (a) minutes of the meetings of—
 - (i) its shareholders;
 - (ii) its board of directors; and
 - (iii) any standing committee or committees of its board of directors;
- (b) register of trading participants including the full names and physical addresses of all directors and shareholders of the trading participants;
- (c) register of representatives, authorised clerks, dealers, authorised assistants and traders;
- (d) record of securities transactions by sectors for each market segment;
- (e) statistical information on market turnover and capitalization on a monthly basis for each market segment;
- (f) register of—
 - (i) all listed securities including the names of issuers and number of securities listed by each issuer;

- (ii) all substantial shareholders;
- (iii) holders of notifiable interest;
- (g) records of receipts and disbursement of the investors compensation fund;
- (h) annual audited accounts of its trading participants;
- (i) annual reports of all listed companies;
- (j) records containing any trading limits, margin requirements or related financial and operational limits it imposes on its trading participants on a monthly basis;
- (k) financial records of all transactions of the securities exchange or commodities exchange including receipts and payouts, cash and bank transactions which shall also be maintained in an electronic form including—
 - (i) ledgers;
 - (ii) journals; and
 - (iii) bank statements and reconciliation accounts.

B. FUND MANAGER

Records to be maintained and preserved by fund managers

- (1) Every fund manager shall maintain and preserve for a period of at least ten years, the following records—
 - (a) journals, including cash receipts and disbursement records and any other records or original entry forming the basis of entries in any ledger;
 - (b) general and auxiliary ledgers, or other comparable records reflecting assets, liabilities, reserves, capital, income and expense accounts;

- (c) a record or memorandum of each order given by a fund manager for the purchase or sale of securities, or any instruction received by a fund manager from a client concerning the purchase, sale, receipt or delivery of a particular security, and of any modification or cancellation of any such order or instruction; and the record shall—
 - (i) show the terms and conditions of the order, instruction, modification or cancellation;
 - (ii) identify the person connected with the fund manager who recommended the transaction to the client and the person who placed the order;
 - (iii) show the account for which the order was entered, the date of entry, and the broker by or through whom the order was executed, where appropriate; and
 - (iv) show orders entered pursuant to the exercise of a discretionary power on account of management of investment portfolios, in which case a record of details of the contract giving such power entered into with clients and constituents of the portfolio, transaction fees agreed with the client and the value of the portfolio shall be included;
- (d) all cheque books, folios, bank statements, cancelled cheques and cash reconciliation of the fund manager;
- (e) all bills, statements or copies of such statements or copies, paid or unpaid relating to the business of the fund manager;
- (f) originals of all written communication received from clients and copies of all written communication sent by the fund manager relating to—
 - (i) any recommendations made or proposed to be given;
 - (ii) any receipts, disbursement or delivery of funds or securities; and

- (iii) the placing or execution of any order to purchase or sell any security; except that where a fund manager sends any notice, circular or other advertisement offering any report, analysis, publication or other investment advisory services to more than ten persons, the fund manager shall not be required to keep a record of the names and addresses of the persons to whom any such notice, circular or other advertisement was sent; and where the notice, circular or advertisement is distributed to persons named on any list, the fund manager shall retain a copy of the notice, circular or advertisement, record or memorandum describing the list and the source of the list;
- (g) a list or other record of all accounts in relation to which the fund manager is vested with any discretionary power with respect to the funds, securities or transactions of any client;
- (h) all evidence of the granting of any discretionary authority by any client to the fund manager or copies of the evidence;
- (i) all written agreements or copies of agreements entered into by the investment manager with any client or otherwise relating to the investment manager's business;
- (j) a copy of each notice, circular, advertisement, newspaper article, investment letter, bulletin or other communication recommending the purchase or sale of a specific security that the fund manager circulates or distributes, directly or indirectly, to ten or more persons, and where the notice, circular, advertisement, newspaper article, investment letter, bulletin or other communication does not state the reasons for the recommendation, a memorandum from the fund manager indicating the reasons;

- (k) all advertisements by the fund manager and all records, worksheets and calculations necessary to form the basis for performance data in the advertisements;
- (l) a record of every transaction in a security in which the fund manager or any of the fund manager's employees acquire any direct or indirect beneficial ownership, stating the title and amount of the security involved, the date, whether the transaction was a purchase or sale or other acquisition or disposition, the price at which it was effected and the name of the broker with or through whom the transaction was effected;
- (m) a copy of each written statement, any amendment or revision of the statement given or sent to any client or prospective client of the fund manager and a record of the date that the statement was given or offered to be given; and
- (n) such other records as may be determined by the Authority.
- (o) The records specified in sub-paragraph (1) shall be subject to inspection from time to time and without notice, by the Authority.
- (p) Every fund manager shall preserve and maintain clients' records of securities or funds and, where required, produce for inspection by the Authority the books, records and ledgers or other accepted accounting and additional records as may be required by the Authority.
- (q) Every fund manager shall segregate the securities of each client and mark the securities to identify the particular client having the beneficial interest in such securities.

C. DEALER

Every authorised securities dealer shall maintain a record of its daily dealing transactions, which shall include particulars on—

- (a) type of security;
- (b) value of trade;
- (c) counter party; and
- (d) nature of account.

D. STOCK BROKER

1. A stockbroker and dealer shall maintain and preserve for a period of ten years, the following accounting documents—
 - (a) journals or other records of original entry containing an itemized daily record of all purchases and sales of securities, all receipts and deliveries of securities including certificate numbers, all receipts and disbursements of cash and all debits and credits; the records shall show the account for which each transaction was effected, the name and amount of securities, the unit and aggregate purchase or sale price, if any, the trade date and the name or other designation of the person from whom the securities were purchased or received or to whom they were sold or delivered;
 - (b) ledgers or other records reflecting all assets and liabilities, income, expense and capital accounts;
 - (c) detailed records of nominee accounts;
 - (d) all cheque books, bank statements, cancelled cheques and bank reconciliation accounts;
 - (e) clients' accounts or other records itemizing separately each account of a client, all purchases, sales, receipts and deliveries of securities and all other debits and credits;
 - (f) a memorandum of each client's order received for the purchase or sale of securities; the memorandum shall show orders in chronological sequence, the time of receipt, the

terms and conditions of the order or instructions and of any modification or cancellation thereof, the account for which the order was entered, the time of entry into the market for execution, the price at which the order was executed and, to the extent feasible, the time of execution or cancellation;

- (g) copies of confirmation of all purchases and sales, notices of all other debits and credits for securities and other items for the account of client;
 - (h) records on all commissions earned on account of equities, bonds and others;
 - (i) contract books or records, showing details of all contracts entered into with trading participants of a securities exchange and duplicates of memoranda of confirmation issued to such other trading participant; and
 - (j) any other accounting documents as may be determined by the Authority.
2. The accounting documents specified under paragraph 1 shall be subject to inspection from time to time and without notice, by the Authority or securities exchange of which the stockbroker or dealer is a trading participant.
3. A stockbroker shall maintain and preserve for each person who becomes a client, records and accounts for a period of ten years containing information on –
- (a) where the client comes through an investor agent, in the agent sub-account and where the client has been attended to by the supervisor or employee of the stockbroker authorised to attend to clients in the stockbroker's account, the client's name, date of birth, address, nationality or citizenship, identification, written instructions of the client, price limit, duration of the instructions and date of order and the name and address of the investor agent where

applicable and where the client is a company, certified copies of memorandum and articles of association and the certificate of incorporation;

- (b) if the stockbroker, or any of its agents has made any recommendations to the client to purchase or sell any security, the record of such client shall include the client's occupation, identification, investment objectives, other information concerning the client's financial situation and needs which the stockbroker or any of its agents considered in making the recommendation, and the signature and name of the agent who made the recommendation to the client and the date when any order was given to the stockbroker or its agent and any price limit given;
- (c) a record with respect to each discretionary account shall include—
 - (i) the client's written authorisation to the stockbroker to exercise discretionary power or authority in the client's account;
 - (ii) the reason given by the client for granting discretionary power or authority in his account; and
 - (iii) the written approval of the stockbroker's designated supervisor of each transaction in the account indicating the exact time and date of the approval;
- (d) a separate record for all complaints by clients and persons acting on behalf of clients; the complaints shall be filed alphabetically by clients' names and shall include copies of all materials relating to the complaint, and record of what action, if any has been taken by the stockbroker; copies of the materials and record of action taken shall be kept in the office through which the client's account is handled;

- (e) a separate record of all securities transactions by the stockbroker's or dealer's employees and directors in their own name or under nominees' accounts;
 - (f) a separate record of all securities transactions between the stockbroker or dealer and all listed companies in which the directors of the stockbroker or dealer have an interest; and
 - (g) such other records as the Authority shall determine from time to time.
4. A stockbroker shall decline to take an order if, after reasonable inquiry, the client declines to furnish such items of information as required in paragraph 3 (a), (b) and (c) and a statement to that effect is placed in the records, provided, however, that the client's records shall state the client's name and address.

PART II

Regulations 38(1), 39(3)

REPORTING OBLIGATIONS OF APPROVED PERSONS

A. A SECURITIES EXCHANGE OR COMMODITIES EXCHANGE

1. Reporting by the Securities Exchange or Commodities Exchange

(1) A securities exchange shall within four months after the end of each financial year make available to the Authority and to the investors, a summary of information on companies listed at the securities exchange.

(2) The information referred to in paragraph (1) shall include—

- (a) the names of directors, share capital, number and value of shares issued and any changes in the share capital; and
- (b) earnings per share, dividend per share, shareholding structure institutional, individual, domestic and foreign investors, principal or controlling shareholders and total number of shareholders.

(3) A securities exchange shall maintain information in either print and electronic form, regarding each issuer or company listed at the securities exchange and such information shall include the—

- (a) name of the issuer and date of incorporation;
- (b) date of listing;
- (c) names of directors;
- (d) principal or controlling shareholders;
- (e) total number of shareholders;

- (f) authorised and paid-up share capital;
- (g) changes in authorised or paid-up share capital;
- (h) core and auxiliary line of business;
- (i) balance sheet and profit and loss accounts for the last five years;
- (j) volume and price movements (high and low) of the listed security; and
- (k) earnings per share and dividend per share.

(4) A securities exchange or commodities exchange shall, within 3 months from the end of the financial year, furnish the Authority with a report of its activities during the preceding calendar year and the report shall contain information on—

- (a) changes in its rules and by-laws, if any;
- (b) changes in the membership of its board of directors;
- (c) composition and mandates of all the committees set up and changes, if any in the membership of its existing ones;
- (d) admission, suspension or expulsion of trading participants;
- (e) disciplinary action against trading participants including appointment of statutory manager;
- (f) arbitration of disputes;
- (g) securities listed, suspended or delisted;
- (h) market turnover and capitalization per sector; and
- (i) any other matters that the Authority may request.

(5) A securities exchange shall submit to the Authority, through electronic means and make public a daily report on the securities transacted, the price movements on each security including low, high and average prices, and the volume of transactions in each security.

(6) A financial statement of a securities or commodities exchange shall include the disclosures prescribed in these Regulations.

(7) The annual accounts of a securities exchange or commodities shall be audited by an independent auditor appointed by the board of directors of the securities exchange or commodities exchange.

(8) A securities or commodities exchange shall furnish the Authority with all documents and notices that it issues to its members in connection with the annual general meetings within ten days prior to the date of such meetings.

(9) Communication to investors shall be by way of publication through email and in either at least two daily newspapers of national circulation or on the official website of the exchange.

(10) A securities or commodities exchange shall immediately report to the Authority by telephone and in writing whenever—

- (a) there is a delay in the opening or closing of the securities or commodities exchange;
- (b) there is a default on settlement and delivery;
- (c) trading is to be suspended in any security;
- (d) there are incidences of violation of the Act or exchange rules;
- (e) there is unusual activity in the market;

- (f) the exchange receives any non-public information that its chief executive believes could have a material effect on the market in general or on any specific securities; or
- (g) the Authority requests for any information.

REPORTING OBLIGATIONS OF A FUND MANAGER

- (1) Every fund manager shall submit to the Authority—
 - (a) quarterly reports of the portfolio under its management within thirty days of the end of each calendar quarter;
 - (b) half yearly reports of the portfolio under its management within thirty days of the end of each half-year, including reports of its own financial performance;
 - (c) annual reports of the total value of the portfolio under its management including the number of clients; and
 - (d) audited annual financial statements for its operations including the information prescribed in Part I of this Schedule and a copy of the auditor’s report.

(2) Notwithstanding the provisions of subparagraph (1), the Authority may require such other form of financial statements as it may from time to time specify.

REPORTING OBLIGATIONS OF DEALER

Report of dealing transactions

(1) Every authorised securities dealer shall, in respect of all its transactions in securities, whether or not such securities are traded on an approved exchange, submit to the Authority—

- (a) monthly reports and accounts within fifteen days of the end of each calendar month;

- (b) quarterly reports and accounts within fifteen days of the end of each calendar quarter;
- (c) half yearly reports and accounts within thirty days of the end of each half year;
- (d) audited annual accounts within three months following the end of the authorised securities dealer financial year; and
- (e) a financial statement complying with the disclosures prescribed by the Authority.

(2) The Authority may require such other form of financial statement as it may from time to time specify.

(3) The reports referred to in paragraph (1) shall include particulars on the—

- (a) type of securities;
- (b) total value of securities traded in terms of sales and purchases during the relevant period; and
- (c) average yield of the total value of securities traded during the relevant period.

REPORTING OBLIGATIONS OF STOCK BROKER

(1) Every stockbroker and dealer shall submit to the Authority and to the securities exchange of which they are trading participants—

- (a) quarterly reports and accounts within fifteen days of the end of each calendar quarter;
- (b) half yearly reports and accounts within thirty days of the end of each half year;
- (c) audited annual accounts within three months following the end of the stockbroker and dealer's financial year; and

(d) a financial statement complying with the disclosures prescribed by the Authority.

(2) Every stockbroker or dealer shall prepare monthly reports and accounts within fifteen days of the end of each calendar month, which shall be made available to the Authority at such times as the Authority, may request.

(3) The Authority may require such other form of financial statement as it may from time to time specify.

SCHEDULE 4

Regulation 42

A. NOTIFICATION AND CLEARANCE EVENTS

(1) An approved person shall make a written notification to the Authority of any event or circumstance designated as a notifiable or clearance event.

(2) Clearance events include—

- (a) changes in governance or directors;
- (b) changes in ownership and substantial shareholding; where any person is to become or cease to be a majority controller of an approved person; or
- (c) changes to approved person place of business, address, head office.

(3) Notification events include—

- (a) changes to approved person's such as appointed representatives, staff other than directors;
- (b) changes to approved person's auditors;
- (c) changes in financial position;
- (d) where an approved person has been adjudged bankrupt or adjudicated or declared insolvent by due process of law;
- (e) where an approved person has made any arrangement or composition with its creditors or it has otherwise acknowledged its inability to pay its debts;
- (f) where the approved person becomes insane or incapable of properly managing his or her affairs;

- (g) where a receiver or administrator has been appointed in relation to an approved person or any part of its undertaking or assets or a resolution has been passed or an order made for its winding up.

(4) The notification of a clearance event must be made within 14 days before the occurrence of the event and must be in writing.

(5) The notification of an event that has occurred must be made immediately the event occurs and not later than 12 hours of the occurrence of the event.

(6) The notification in subparagraph 3(f) shall be made by a representative of an approved person.

B. INFORMATION REQUIRED

I. CHANGES TO THE APPROVED PERSON

- (a) name, a description of principal business;
- (b) names of its directors, partners and managers, if any;
- (c) address of the registered or head office or its principal place of business or its address;
- (d) details of change should be provided;
- (e) an appointed representative; date of becoming or ceasing to be an appointed representative of the approved person, its name, the address of its registered or head office, telephone number and registration number;
- (f) the dismissal of any staff that is chief executive, director, manager of the permitted business, compliance officer, finance officer or appointed representative, the date, name and reasons for dismissal or details of the event; and

- (g) appointment of auditors, change of auditors, decision to secure a change, resignation, removal and non-reappointment, the fact that the event has occurred and the reasons for it.

II. CHANGES IN GOVERNANCE OR MANAGEMENT

- (a) current chief executive, director, compliance officer, company secretary;
- (b) the fact of holding or ceasing to hold that position;
- (c) notice period to be served for resignation and compliance with the internal human resource procedures;
- (d) reasons for resignation or termination or new appointment;
- (e) the name of the person who has been appointed as a replacement;
- (f) summary of the recruitment process;
- (g) the date on which he or she will hold or cease to hold that position;
- (h) curriculum vitae; and
- (i) a copy of the engagement contract.

III. CHANGES IN OWNERSHIP OR SUBSTANTIAL SHAREHOLDING

- (a) current shareholding structure;
- (b) changes proposed;
- (c) voting rights;
- (d) changes in voting rights;

- (e) when an approved person becomes a subsidiary of another company, name of the company of which it has become a subsidiary;
- (f) when in relation to the approved person, a person becomes or ceases to be a majority controller, its name, description of its principal business, the names of its directors, partners and managers, address of its registered or head office or its principal place of business or his address, the percentage of the voting power which it can exercise at any general meeting of the member;
- (g) controller, the fact that a person has either become or ceased to be a controller;
- (h) changes in beneficial ownership.

IV. CHANGES IN FINANCIAL POSITION

1. Where the financial resources of the approved person do not meet its financial resources requirement, a statement that its financial resources do not exceed its financial resources requirement and a description of the steps which it is taking or has taken, to remedy the position.
2. Where the approved person is not able to submit a statement of net capital to the Authority by the due date, the approved person should indicate the reasons for not being able to do so by the due date and when it will be submitted.
3. Where an approved person is not able to comply with the Capital Markets (Financial and Accounting) Regulations, 2022, the approved person should indicate the reasons for the non-compliance.

V. CESSATION OF BUSINESS

1. Summary of the current business conducted outlining the challenges and opportunities witnessed.
2. Indication of whether it is cessation of a part of or the whole of the permitted business
3. Reasons for the decision to cease business.
4. Board and Shareholders registered resolutions approving the decision to cease business

Provided that where there has been cessation of the whole of the approved person's business or the firm has not commenced any of its permitted business for a period of six months without justifiable cause, the Authority may invoke its powers under section 44 (2) (iii) of the Act.

SCHEDULE 5

Regulation 43

CONDUCT OF BUSINESS REQUIREMENTS FOR COMMODITIES EXCHANGES

1. Statement of purchase and sale

Every commodity broker who has acted as an agent in connection with a liquidating trade in a commodity contract shall promptly send to their client a statement of purchase and sale setting out the—

- (a) dates of the initial transaction and liquidating trade;
- (b) commodity and quantity bought and sold;
- (c) commodities exchange upon which the contracts were traded;
- (d) delivery period;
- (e) prices on the initial transaction and the liquidating trade;
- (f) gross profit or loss on the transactions;
- (g) commission; and
- (h) net profit or loss on the transactions.

2. Statement, terms and conditions to be furnished to prospective client

(1) Every commodity broker shall furnish each prospective client prior to the opening of an account with a written statement in a form approved by the Authority which will—

- (a) explain the nature of and risks inherent in trading in contracts and obligations assumed by the client upon entering a contract;

- (b) advise the client to request and study the terms and conditions of the contract; and
- (c) furnish details concerning commissions and other charges levied by the commodity broker and the commodities exchange.

(2) Every commodity broker shall upon the request of a prospective client, furnish the client with a copy of all current terms and conditions of any contract the form of which shall have the prior approval of the Authority.

(3) Where there are unexpired or unexercised open commodity contracts outstanding in a client's account, the relevant commodity broker for that specific transaction shall promptly deliver to such a client, a written monthly statement, setting forth—

- (a) the opening cash balance for the month in the client's account;
- (b) all deposits, credits, withdrawals and debits to the client's account;
- (c) the cash balance in the client's account;
- (d) each unexpired and unexercised commodity contract;
- (e) the agreed price of each unexpired or unexercised commodity contract;
- (f) each open commodity contract; and
- (g) the price at which each open commodity contract was entered into.

3. Risk disclosure statements

No commodity broker shall open a commodity contract account for a client unless the commodity broker furnishes the client with a separate written risk disclosure document which shall be in the form prescribed by a commodity exchange and receives from the client an

acknowledgement signed and dated by the client that the client has received and understood the nature and contents of the risk disclosure document.

4. Segregation of funds of clients

(1) A commodity broker shall maintain strict segregation between its own funds and each individual clients' funds without any commingling between—

- (a) its own funds and clients' funds; and
- (b) individual clients' funds.

(2) A commodity broker shall establish a client group account with the designated commodities exchange of which that commodity broker is a member.

(3) A commodity broker shall ensure that all security deposits and withdrawals on behalf of clients are only made through the client group account.

(4) A commodity broker shall only accept a security deposit or fees by way of—

- (a) a cheque;
- (b) a bank draft; or
- (c) online bank transfer or via mobile banking transfer from a client designated account.

(5) A commodity broker shall immediately deposit any security deposits in the client group account maintained by the commodity broker with the commodities exchange designated clearing house for onward transfer and credit to each individual clients' account at the clearing house of the commodities exchange.

(6) Money deposited by any member of a commodities exchange towards the security deposit shall be refundable, provided that the amount is in surplus and there is no actual or contingent liability or a claim from a clearing house to be discharged by the member, and subject to such terms and conditions as may be specified by a commodities exchange from time to time.

(7) Any withdrawals requested by a client shall be processed by transferring funds from the individual clients' account maintained at the clearing house of the commodities exchange to the client group account maintained by the commodities broker at the designated clearing house of a commodity exchange.

(8) A withdrawal under sub-paragraph (7) shall be settled either by a cheque drawn on the client group account of the commodity broker, by online bank transfer or by mobile banking transfer, to a designated client account, from the same account maintained at the designated clearing house of a commodities exchange.

(9) A commodity broker shall undertake and complete reconciliation on a daily basis between—

- (a) the client group account maintained at the designated clearing house of a commodities exchange;
- (b) the client group account at the clearing house of a commodities exchange; and
- (c) individual clients' account maintained at the clearing house of a commodities exchange.

(10) A commodity broker shall not accept cash from or pay cash to a client for a transaction under these Regulations.

(11) A commodity broker shall maintain a record of transactions with the relevant banks including client's deposits and withdrawals from the client group account maintained with the commodities exchange designated clearing house.

5. Residual financial interest

(1) A commodity broker may be exempt where the commodity broker has a residual financial interest in a customer's account and, from time to time, may advance, from the dealer's own funds, sufficient funds to prevent, any or all of a client's accounts for security deposit from becoming under-funded.

(2) Where a commodity broker has a residual financial interest in a client's account for security deposit or has advanced the commodity broker's own funds to prevent a client's account from becoming underfunded, the commodity broker may draw upon that account or any other accounts of the same client to the commodity broker's own order to the extent of the commodity broker's residual financial interest therein or to the extent of the actual advances made.

6. Establishment of a guarantee Fund

(1) The commodities exchange shall establish a Fund to be known as the Commodity Settlement Guarantee Fund for the purpose of granting assistance to a member of a commodities exchange who fails to meet their clearing and settlement obligations to a commodities exchange arising out of transactions on a commodities exchange.

(2) The Fund shall be maintained by the commodities exchange.

(3) A commodities exchange, with the prior approval of the Authority, may prescribe from time to time, the rules, procedures, terms and conditions governing the Fund, which may specify the—

- (a) amount of deposit or contribution to be made by each member of the commodities exchange to the Fund;
- (b) terms manner and mode of deposit or contribution;
- (c) conditions of repayment of deposit or withdrawal of contributions from the Fund;
- (d) charges for drawing from the Fund;

- (e) penalties applicable; and
- (f) disciplinary actions.

7. Composition of the Fund

(1) The Fund shall consist of—

- (a) contributions from a commodities exchange, its trading participants, warehouses and or its clearing house;
- (b) contributions from clearing banks of a commodities exchange as may be determined by the board of a commodities exchange, with the approval of the Authority, from time to time;
- (c) such sums of money as accrued from interest and profits from investing the assets of the Fund;
- (d) such money recovered by or on behalf of a commodities exchange from entities whose failure to meet their obligations to investors results in payments from the Fund; and
- (e) such sums of money as are received for purposes of the Fund from any other source approved by the Authority,

(2) Money accumulated in the Fund may be invested by the commodities exchange in such manner as set out in the rules of the Fund.

(3) A commodities exchange may specify the amount of additional contributions or deposit to be made by each of its members.

(4) A clearing house shall, in respect of settlement of transactions, guarantee financial settlement of such transactions to the extent it has acted as a legal counter party.

8. Form of contribution or deposit to the Fund

The Authority may, in its discretion, permit a member of a commodities exchange to contribute to or provide the deposit to be maintained with the Fund, in the form of cash or in such other form or method and subject to such terms and conditions, as may be specified by the Authority.

9. Management of the Fund

(1) The Fund may be used for such purposes prescribed by the Authority, which may include—

- (a) defraying the expenses of creation and maintenance of the Fund;
- (b) temporary application of the Fund to meet shortfalls and deficiencies arising out of the clearing and settlement obligations of members of a commodity exchange in respect of and connected to transactions related to commodity contracts;
- (c) meeting any loss or liability of a clearing house arising out of clearing and settlement operations;
- (d) repayment of the balance amount to a member pursuant to provisions in the commodities exchange rules regarding the repayment of deposits after meeting all obligations, when such a member ceases to be a member of a commodities exchange; and
- (e) any other purpose as may be specified by the Authority.

(2) The commodities exchange shall have full power and authority to pledge, re-pledge, hypothecate, transfer, create a security interest in, or assign any or all of the assets in the Fund, or any other instrument issued on behalf of a member of a commodities exchange in favour of the commodities exchange, towards deposit to the Fund.

10. Scheme of arrangements on default

Where a member of a commodities exchange has failed to meet his clearing and settlement obligations or where a member of a commodities exchange has been declared a defaulter, a commodities exchange or a clearing house, may request the Authority to use the Fund and other monies of the concerned member to the extent necessary to fulfil his or her obligations in the following order—

- (a) any amount that may have been paid by the defaulting member in the form of a pre-trade deposit, but does not include a client's pre-trade deposit, or any other money deposited with or retained by a clearing house for the purpose of meeting the clearing and settlement obligations;
- (b) any amount that may have been deposited by the defaulting member towards additional deposit with the clearing house;
- (c) the proceeds, if any, recovered from auctioning or disposing of the member's membership rights vested in a commodities exchange, subject to deduction of the expenses relating or incidental to the auction or disposal, as the case may be;
- (d) the fines, penalties, interest or other income, if any, earned by investment or divestment of the Fund as may be decided by the Authority;
- (e) the security deposit made by all classes of members in proportion to their deposit to the Fund, or where the deposit is deficient, the deficit in the amount shall be deposited in the Fund;
- (f) the profits, if any, from returns on investments of the Fund; and
- (g) any other funds set aside by the commodities exchange.

11. Additional contributions or deposits

(1) Where a *pro-rata* charge has been made against a member's actual contribution or deposit, and as a consequence, the member's remaining contribution or deposit towards the Fund falls below his required contribution or deposit, the member shall contribute or deposit towards the shortfall in the Fund within such time as the Authority may specify.

(2) Where any member, who is required to contribute or deposit to the Fund, fails to do so, the commodities exchange may charge such rate of interest on the shortfall, as it may determine, in addition to any administrative action, including imposing fines and penalties against the member.

12. Production of records

(1) A commodities exchange, clearing house or commodity broker shall—

- (a) produce any books, accounts and records kept by it in connection with, or for the purposes of, its business, or in respect of any trading in commodity contracts;
- (b) collect and furnish any returns; and
- (c) provide any information relating to its business, or any trading in commodity contracts, or any other specified information, as the Authority may require.

(2) The Authority, may, on production of any books, accounts or records take copies of or extracts from them.

13. Records of transactions on a commodity market or clearing house

(1) A commodities exchange, commodity broker and a clearing house shall keep such records as are necessary for the proper recording of each transaction on the exchange, commodity broker or clearing house and shall supply to any client of any member of the

an exchange, broker or clearing house, upon production of a written confirmation of any transaction with the member, particulars of the approximate time at which the transaction took place and verification or otherwise of the matters set forth in the confirmation.

(2) The Authority may, at any time, require a commodities exchange, commodity broker or a clearing house of a commodities exchange to deliver to it reports of transactions on the commodities exchange, commodity broker or clearing house of commodities exchange.

14. Information to be provided by market participants

(1) Upon a determination by the Authority that information concerning accounts may be relevant to determine whether manipulation, corner, squeeze or other market disorders exist in any commodities exchange, the Authority may, by notice in writing, require such information as it thinks necessary from any person, including a member of a clearing house or a commodity broker or any client in the commodity market and the person concerned shall provide the required information within such time as may be specified by the Authority.

(2) Where the Authority has reason to believe that any person has failed to give the information required in the notice, it may without prejudice to any other penalty that may be imposed, inform a commodities exchange or a clearing house which shall, in the event, prohibit the execution of, or acceptance for orders of, trades on the exchange or a clearing house in the months or expiration dates specified in the notice unless such trades offset open contracts of that person.

15. Accounts and audit

(1) A commodities exchange, clearing house and commodity broker shall keep proper books of accounts and records of income and expenditure, assets and liabilities and all other transactions of the commodities exchange.

(2) A commodities exchange, clearing house and commodity brokers shall, within four months after the end of each financial year, prepare a statement of accounts of the commodities exchange, clearing house and commodity brokers for the financial year, including a statement of comprehensive income and a statement of financial position.

(3) A commodities exchange and commodity broker shall appoint a qualified auditor or auditors, to audit the books of accounts or to investigate any affairs of a commodities exchange or broker.

(4) A commodities exchange, clearing house and commodity brokers shall submit the statement of accounts prepared under sub-paragraph (2) to their auditors for audit.

(5) The auditors shall prepare a report on the accounts and submit the report to the commodities exchange, clearing house and commodity brokers.

(6) A commodities exchange, clearing house and commodity brokers shall, immediately upon receipt of the auditor's report referred to under sub-paragraph (5), send a copy of the report and a copy of the statement of accounts to the Authority.

(7) The auditors' report shall include—

- (a) the opinion of the auditor, whether the statement of comprehensive income for the financial year to which the report relates gives a true and fair view of the surplus or deficit of a commodities exchange, clearing house or commodity broker; and
- (b) a statement whether, in the opinion of the auditor, the statement of financial position for the financial year gives a true and fair view of a commodities exchange, clearing house or commodity broker and their financial affairs at the end of that financial year.

(8) Every commodities exchange, clearing house and commodity broker, and any employee or agent of a commodities exchange, clearing house and commodity broker, shall on demand by an audit firm—

- (a) allow the auditor reasonable access to the premises occupied by a commodity broker or by any other person acting on behalf of a commodity broker;
- (b) extend reasonable facilities to the auditor;
- (c) provide any information required by an auditor; and
- (d) produce for inspection any documents, books, vouchers and other records or copies of any documents, books, vouchers and other records, that the audit firm may consider necessary for the performance of its duties.

(9) An auditor shall, during an audit or investigation, be entitled to examine or record statements of any member, director, partner, proprietor, associate or employee of a commodities exchange, commodity broker or clearing house, under audit or investigation.

(10) A member, director, partner, proprietor, associate or employee of a commodities exchange, broker or clearing house under audit or investigation shall give the auditor all assistance in connection with the audit or investigation.

16. Authority may appoint an auditor

The Authority may, where the Authority is satisfied that it is in the public interest to do so, appoint an auditor, in writing, at the expense of a commodities exchange, clearing house or commodity broker, to examine, audit, and report, either generally or in relation to any matter, on the books, accounts and records of a commodities exchange, clearing house or commodity broker.

CONDUCT OF BUSINESS REQUIREMENTS FOR FUND MANAGERS

1. Conduct of fund management business

- (1) No fund manager or investment advisor shall—
 - (a) recommend to a client to whom investment, supervisory, management or consulting services are provided, the purchase or sale of any security without reasonable grounds to believe that the recommendation is suitable for the client on the basis of information furnished by the client after reasonable inquiry concerning the client's investment objectives, financial situation and needs, and any other information known or acquired by the fund manager after reasonable examination of the client's financial records;
 - (b) place an order to purchase or sell a security for the account of a client upon instruction of a third party without first having obtained a written third-party authorization from the client;
 - (c) exercise any discretionary power in placing an order for the purchase or sale of securities for a client without obtaining written discretionary authority from the client;
 - (d) induce trading in a client's account that is excessive in size or frequency in view of the financial resources, investment objectives and character of the account;
 - (e) misrepresent to any client or prospective client, its qualifications or misrepresent the nature of the advisory services being offered or fees to be charged for such service or omit to state a material fact necessary to make the statements regarding qualifications, services or fees, in light of the circumstances under which they are made, not misleading;

- (f) provide a report or recommendation to any client prepared by someone other than the fund manager without disclosing that fact;
- (g) fail to disclose to clients in writing before any advice is rendered, any material conflict of interest relating to the fund manager or any of the fund manager's employees that could reasonably be expected to impair the rendering of unbiased and objective advice, including—
 - (i) compensation arrangements connected with advisory services to clients that are in addition to compensation from the clients for such services; or
 - (ii) charging a client an advisory fee for rendering advice where a commission for executing securities transactions pursuant to the advice will be received by the fund manager or his or her employees;
- (h) guarantee a client that a specific result will be achieved arising from the advice that will be rendered, except in the case of fixed income securities;
- (i) publish, circulate or distribute any advertisement, which does not comply with the Act;
- (j) disclose the identity, affairs or investment of any client to any third party unless required by any written law, a court order or the authority to do so, or unless consented to by the client;
- (k) enter into, extend or renew any fund management contract unless the contract discloses in substance, the services to be provided, the term or duration of the contract, the advisory fee, the formula for computing the fee, the amount of the prepaid fee to be returned in the event of contract termination or non-performance, whether the contract grants discretionary power to the fund manager and that no assignment of the contract shall be made by the

fund manager without the consent of the other party to the contract; or

(1) fail to register all securities marketed and offered to clients by the fund manager or otherwise inform the client that the securities offered to them have not been approved by the Authority.

(2) Any information provided by fund managers and investment advisors to clients through newsletters and advertisements shall be factual and accurate.

(3) No fund manager or investment advisor shall loan money to a client unless the client is an affiliate of the fund manager.

(4) A fund manager may not contract or engage any advisory or management services on behalf of an investment portfolio without prior written approval of the client concerned; and fund manager shall remain liable for—

- (a) any act or omission of the sub-contracted fund manager;
- (b) the fees and expenses of any such person, which expenses shall not be payable out of the fund of the portfolio investments; and
- (c) any expenses incurred by any such person, which if incurred by the fund manager, would have been payable out of the fund of the investment portfolio.

(5) When accepting an order from a client, the fund manager shall inform the client of all constituent parts of the relevant service agreement prior to executing the order, and shall cause the client to give the fund manager a written declaration to confirm the order.

(6) The fund manager shall be fair and equitable in the event of any conflict of interest that may arise in the course of the fund manager's duties.

2. Quarterly returns

Each fund manager shall within one month after the end of each quarter including the last quarter of the financial year, file with the Authority a return that includes the following information—

- (a) details of any investments made by each fund under its management during the quarter, and the consideration paid for those investments; and
- (b) details of any disposals of investments during the quarter and any profit derived or loss incurred from those disposals including details of how that profit or loss was calculated.

**CONDUCT OF BUSINESS REQUIREMENTS FOR
CUSTODIANS**

CONDUCT OF BUSINESS BY A CUSTODIAN

1. Custodian investment fund

(1) A fund manager that manages funds, over which its client has not appointed a custodian, shall appoint a custodian approved by the Authority for the assets of the fund.

(2) A custodian of an investment portfolio may, in relation to a fund manager, be a holding company or a subsidiary company within the meaning of those terms as defined in the Companies Act, 2012 or be an entity deemed by the Authority to be otherwise under the control of substantially the same persons or consist substantially of the same shareholders; except that the investment in a related company shall be limited to ten percent of the total funds managed by the fund manager.

(3) The Authority may direct a fund manager to revoke the appointment of a custodian if the custodian at any time after its appointment ceases to carry out its functions honestly, efficiently or fairly.

2. Duties of a custodian

(1) A custodian shall render custodial services to the investment portfolio managed by the fund manager in accordance with a written service agreement between the custodian and the fund manager; and the custodial services shall include—

- (a) taking into its custody or under its control all the property of the clients of the fund manager and holding the property in trust for the clients in accordance with the provisions of the written service agreement; except that cash and registerable assets shall be registered in the name of or to the order of the clients by the custodian;

- (b) receiving and keeping in safe custody, title documents, securities and cash amounts of the investment portfolio;
- (c) opening an account in the name of each client for the exclusive benefit of the relevant investment portfolio;
- (d) transferring, exchanging or delivering in the required form and manner, securities held by the custodian upon receipt of proper instructions from the fund manager;
- (e) requiring from the fund manager, such information as the custodian deems necessary for the performance of its functions as a custodian;
- (f) promptly delivering to the fund manager or to such other persons as the fund manager may authorise, copies of all notices, proxies, proxy soliciting materials received by the custodian in relation to the securities held in the fund account, all public information, financial reports and investor communications the custodian may receive from the issuers of securities and all other information the custodian may receive, as may be agreed between the custodian and the fund manager;
- (g) exercising subscription, purchase or other similar rights represented by the securities subject to receipt of proper instructions from the fund manager;
- (h) exercising the same standard of care that it exercises over its own assets in holding, maintaining, servicing and disposing of property and in fulfilling obligations in the agreement;
- (i) where title to investments are recorded electronically, ensuring that entitlements of the clients of the fund manager are separately identified in the records of entitlement maintained by the custodian.

(2) A custodian shall, in executing its duties under subparagraph (1), exercise the degree of care expected of a prudent professional custodian for hire.

(3) A custodian discharging its contractual duties to a fund manager shall not contract agents to discharge those functions except where a portion of the investment portfolio is invested in offshore investments, in which case the custodian may engage the services of an overseas sub-custodian approved by the fund manager with notification of the appointment to the Authority.

(4) The agreement referred to in sub-paragraph (1) between the custodian and the fund manager shall provide for the computation of the fee in respect of custodial services and such provision shall be disclosed to the clients by the fund manager in the annual report.

3. Retirement of a custodian

Where a custodian desires to retire or ceases to be approved as a custodian by the Authority, the fund manager may, with the approval of the Authority, appoint another eligible person to be a custodian in its place.

4. Removal of a custodian

(1) A custodian may be removed by the fund manager by notice in writing addressed to the custodian where—

- (a) the custodian goes into liquidation, other than a voluntary liquidation, for the purpose of reconstruction or amalgamation or where a statutory manager or a receiver is appointed over any of its assets;
- (b) the custodian ceases to carry on the business of a custodian;
- (c) the custodian fails or neglects, after reasonable notice from the fund manager, to carry out or satisfy any duty imposed on the custodian in accordance with the service agreement; or

(d) the directors of the fund manager, by resolution, duly resolve that such notice be given, and the fund manager with the approval of the Authority appoints as custodian some other approved custodian.

(2) On receipt by the custodian of the notice referred to in subparagraph (1), the service agreement between the fund manager and the custodian shall be deemed to have been terminated.

(3) Upon the termination of a service agreement under subparagraph (2), or from the date of a winding up order issued by a court against the custodian, the custodian shall hand over all assets, documents and funds, including funds from bank accounts of the fund manager held by the custodian, to the custodian appointed in writing by the fund manager and approved by the Authority within thirty days from the date of such termination.

(4) The custodian shall submit to the Authority an audit report indicating the assets and liabilities and an inventory of the investment portfolio, securities and title documents of the assets which have been handed over, transferred and delivered to the newly appointed custodian within twenty days from the termination of the service agreement in accordance with subparagraph (2).

SCHEDULE 8

Regulation 46

CONDUCT OF BUSINESS REQUIREMENTS FOR STOCK BROKERS AND DEALERS

1. Client accounts

A stockbroker shall—

- (a) deposit clients' funds in one or more bank accounts, which accounts shall contain only clients' funds and be clearly marked "clients' accounts" and the client accounts shall not be overdrawn for any reason;
- (b) maintain a separate record for each account showing the name and address of the bank where the account is maintained, the dates, amounts of deposits and withdrawals and also the exact amount of each client's beneficial interest in the account;
- (c) reconcile such accounts on a regular basis to ensure the amount indicated corresponds with the balances in the client account at any given time; and
- (d) ensure that clients' orders for payments made in advance shall be executed according to clients' instructions and in any event not later than one month from the date of receipt of the clients' funds; orders not executed within one month for whatever reason shall be renewed by fresh instructions from the client.

2. Reports to Authority

(1) Every stockbroker and dealer shall submit to the Authority and where applicable to the securities exchange of which they are trading participants—

- (a) quarterly reports and accounts within fifteen days of the end of each calendar quarter;

- (b) half yearly reports and accounts within thirty days of the end of each half year;
- (c) audited annual accounts within three months following the end of the stockbroker and dealer's financial year; and
- (d) a financial statement complying with the disclosures prescribed by the Authority.

(2) Every stockbroker or dealer shall prepare monthly reports and accounts within fifteen days of the end of each calendar month which shall be made available to the Authority at such times as the Authority may request.

(3) The Authority may require such other form of financial statement as it may from time to time specify.

3. Conduct of stockbrokers and Dealers

Stockbrokers and Dealers shall—

- (a) operate independently of any other stockbroker;
- (b) conduct the business efficiently, honestly and fairly, with the integrity and professional skills appropriate to the nature and scale of activities;
- (c) have no formal or informal agreement with a trading participant of the same securities exchange whether through an association or not, relating to the stockbroker's or dealer's trading activity, personnel, commissions or any joint activity that is likely to undermine the competitiveness or fair trade practices and service to clients;
- (d) without prejudice to the general effect of paragraph (b), in consideration whether a stockbroker is conducting or will conduct business efficiently, honestly and fairly, regard shall be made to the management and organizational structure, reporting principles and procedures, internal audit procedures, procedures for compliance with the

securities laws and risk management policies which the stockbroker or dealer has adopted or proposes to adopt for its business.

4. Conducting business through a stockbroking agent

(1) A stockbroker may conduct business through a stockbroking agent provided the stockbroking agent has been contracted in writing to render such services.

(2) Every stockbroker shall forward to the Authority, on an annual basis, a register of any stockbroking agents contracted pursuant to paragraph (1) and shall notify the Authority of any amendment to the register of agents within five working days of the change.

(3) A stockbroker shall be responsible for conducting all necessary due diligence to establish the competence, fitness and propriety of any person to be appointed as a stockbroking agent, having specific regard to the past experiences and conduct of any the person, in establishing his or her capacity to facilitate the purchase and sale of securities as an agent of the stockbroker in the best interests of investors.

(4) A stockbroker shall submit to the Authority for approval the standard form agency agreement they propose to enter with their stockbroking agents and shall thereafter secure the approval of the Authority prior to amending the agreement.

(5) A stockbroker shall not appoint as its agent any person already appointed by another stockbroker as its agent: provided that where a stockbroker who, at the commencement of this provision, has appointed an agent who acts for more than one stockbroker shall, within six months of the commencement, comply with the requirements of this provision.

(6) A stockbroking agent shall not handle or deal with clients' funds.

(7) The stockbroker shall be responsible for ensuring that the stockbroking agent conducts its business efficiently, honestly and fairly with the integrity and professional skills appropriate to the nature and scale of activities and in accordance with the requirements of the Act and Regulations issued under the Act.

(8) In the event of any misconduct by the stockbroking agent, the stockbroker who appointed the stockbroking agent shall report the misconduct to the Authority within forty-eight hours of the occurrence of the misconduct.

5. Conduct of stockbroker

A stockbroker shall—

- (a) execute an order only where the client has made sufficient arrangements for funds or securities with the stockbroker; an “order” for the purpose of this paragraph, shall constitute written instructions by a client to a stockbroker as to the security name, quantity, price or price limits and duration or validity of instructions;
- (b) only accept written orders and shall ensure that the client is not only capable of honouring the order before acting on the order, but has made arrangements with the stockbroker for fulfillment of its obligations arising from the order;
- (c) execute clients’ orders in the chronological sequence of orders received and which have been so recorded in accordance with these Regulations
- (d) maintain a daily record of orders received from clients showing the name of each client, the specific order and time the order was given, and execute the same in order of receipt;
- (e) exercise due diligence and care at all times so as not to misinform or misdirect clients;

- (f) while accepting an order from a client, inform the client of all constituent parts of an order prior to executing the order and get the client to give a written declaration to confirm the same;
- (g) provide factual and accurate information to clients through newsletters and advertisements; and
- (h) not recommend to a client the purchase, sale or exchange of any security without reasonable grounds to believe that the recommendation is suitable for the client on the basis of information furnished by the client after reasonable inquiry concerning the client's investment objectives, financial situation and needs, and any other information known or acquired by the stockbroker after reasonable examination of the client's financial records.

6. Prohibitions

- (1) No stockbroker or Dealer shall—
 - (a) create a false market in any listed security by way of associations, any artificial device including advising clients to buy or sell a particular security while selling or buying through its dealing or related party transactions, without disclosing that fact to the investors;
 - (b) establish a corner or trade where a corner has developed in a listed security;
 - (c) negotiate on any issue relating to trading with any other person on the trading floor of the securities exchange;
 - (d) be party to any trading and price manipulative scheme or device which may directly or indirectly influence or interfere with the market price formation and fair trading process with respect to any listed security;
 - (e) make general recommendations to the public on particular securities through publications or statements; or

- (f) sell securities which are not registered in the name of their client or central depository in the case of a depository environment.

(2) For the purposes of this regulation, “a corner” shall be deemed to arise when a single interest or group has acquired such control of any listed security that the same cannot be obtained except at prices or on terms dictated by the single interest or group.

7. Sale of securities

(1) No stockbroker or Dealer shall sell securities unless, at the time of the sale—

- (a) the stockbroker or dealer has or, in the case of a stockbroker, its client has; or
- (b) the stockbroker or dealer believes on reasonable grounds, that it has, or in the case of a stockbroker, its client has, an existing exercisable and unconditional right to vest the securities in a purchaser of the securities.

(3) A person who, at any particular time, has an existing exercisable and unconditional right to have securities vested in him or her in accordance with his or her directions shall be deemed to have at that time a presently exercisable and unconditional right to vest the securities in another person.

(4) A right of a person to vest securities in another person shall not be deemed not to be unconditional by reason only of the fact that the securities are charged or pledged in favour of another person to secure the repayment of money.

(5) For purposes of this paragraph, a person shall be deemed to sell securities where he or she—

- (a) purports to sell securities;
- (b) offers to sell securities;

- (c) holds out as entitled to sell securities; or
- (d) instructs a stockbroker to sell securities.

8. Code of conduct

(1) Any proposed code of conduct or agreements to self-regulate the operations of stockbrokers, shall be submitted to the Authority through the exchange of which the broker is a member, for prior approval.

(2) No code of conduct of any associations or agreements of stockbrokers or dealers whether in written form or not shall seek to restrict free negotiation or competition by trading participants with regard to commissions payable on any transactions as may be prescribed.

9. Payment of transaction fees and levies

All brokers and exchanges shall pay to the Authority and into the Investor Compensation Fund, the respective transaction fees and levies within fifteen days after each transaction.

SCHEDULE 9

Regulation 47

CONDUCT OF BUSINESS REQUIREMENTS FOR CREDIT RATING AGENCIES

1. Objectivity and independence

(1) The applicant must demonstrate its independence and objectivity.

(2) The applicant must not be associated directly or indirectly with groups that have conflicting interests in the area of the rating business.

(3) The applicant must also demonstrate that it has a proven rating methodology.

(4) The rating process must have sufficient internal checks and balances to safeguard objectivity in particular where qualitative judgment also plays an important role in the rating process.

(5) The rating process must be based on quantitative and qualitative review of facts and must not rely on hearsay or rumours to downgrade or upgrade a particular issuer or issued financial instrument.

2. Disclosure of information by rating agency

The rating agency must disclose to the Authority, issuers and the general public the following—

- (a) general fee structure or any change to the fee structure;
- (b) downgrades of ratings; and
- (c) disclosure of ratings of commercial paper or corporate bonds as applicable.

3. Confidentiality

The rating agency must have a system of maintaining on a confidential basis the information supplied strictly for the purpose of rating by issuers in order to safeguard and promote confidence in the rating process.

SCHEDULE 10

CONDUCT OF BUSINESS REQUIREMENTS FOR TRANSACTION ADVISOR

Regulation 48

TRANSACTION ADVISOR

1. Notifications to the Authority

(1) A Transaction adviser shall inform the Authority as soon as possible of—

- (a) changes to its name, controlling shareholders, its address or places of business;
- (b) receipt of any written warning or disciplinary communication from any regulatory body;
- (c) any material adverse change in its financial or operating position, including where it is considering appointing administrators or similar practitioners; or
- (d) cessation to act for a company for which it was approved to act and for the reason for ceasing to act.

2. Independence of the Transaction Adviser

(1) A transaction adviser shall demonstrate to the Authority that it is independent from and has arms-length dealing with the company for which it acts.

(2) Where the Authority requires a Transaction Adviser to demonstrate clearly that neither its independence nor that of any of its staff has or will be compromised by any potential conflict of interest, the burden of proof shall be upon the Transaction Adviser.

3. Conflict of interest

(1) A Transaction Adviser shall at all times ensure that it does not have any conflict of interest situations while performing its duties as a transaction adviser.

(2) In particular, a transaction adviser shall not—

- (a) act as both reporting accountant and adviser to the company;
- (b) have a director, employee or associate of director or employee who holds a position of a director of a company for which the company acts as an adviser; and
- (c) allow a director or employee or associate of the director or employee to deal in the securities of a company for which the transaction adviser acts as an adviser during any closed period of the company.

SAUL SSEREMBA,
Chairperson, Capital Markets Authority